

INCREASES IN CIVIL SERVICE RETIREMENT ANNUITIES

JULY 1, 1952.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. MURRAY, from the Committee on Post Office and Civil Service, submitted the following

REPORT

[To accompany H. R. 8373]

The Committee on Post Office and Civil Service, to whom was referred the bill (H. R. 8373) to amend section 8 of the Civil Service Retirement Act of May 29, 1930, as amended, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

STATEMENT

The bill, H. R. 8373, will provide for an increase in civil-service retirement and disability annuities paid to employees or survivors of deceased employees receiving or entitled to receive an annuity on or before April 1, 1952. This increase will amount to \$36 for each full 6 months elapsed between the commencing date of the annuity and October 1, 1952, with a limitation of \$324 or 25 percent of the present rate, whichever is lesser. The increase will be effective the first day of the second month after the enactment of the bill.

The increased annuities provided in this legislation will terminate on June 30, 1955, or at an earlier date in the event (a) the Consumers' Price Index of the Bureau of Labor Statistics for three consecutive months is lower than for April 1948, (b) on June 30, 1953, unless an appropriation is made in the appropriation act for the fiscal year 1954 to reimburse the civil-service retirement fund for the cost of the increases provided during the fiscal years 1953 and 1954, or (c) on June 30, 1954, unless an appropriation is made in the appropriation act for the fiscal year 1955 to reimburse the civil service-retirement fund for the cost of the increases to be provided for the fiscal year 1955.

COMMITTEE ON RETIREMENT POLICY FOR FEDERAL EMPLOYEES

The bill creates a Committee on Retirement Policy for Federal Personnel composed of a Chairman, appointed by the President, and, ex officio, the Secretary of the Treasury, the Chairman of the Board of Governors of the Federal Reserve System, the Director of the Bureau of the Budget, and the Chairman of the Civil Service Commission.

It shall be the duty of this Committee to make a comparative study of all retirement systems for all Federal personnel and submit a report to the Congress, including findings and recommendations, not later than December 31, 1953.

The report of the Committee shall include:

(a) The types and amounts of retirement and other related benefits provided to Federal personnel, including their role in the compensation system as a whole;

(b) The necessity for special benefit provisions for selected employee groups, including overseas personnel and employees in hazardous occupations;

(c) The relationships of these retirement systems to one another, to the Federal employees' compensation system, and to such general systems as old-age and survivors' insurance; and

(d) The current financial status of the several systems, the most desirable methods of cost determination and funding, the division of costs between the Government and the members of the systems, and the policies that should be followed in meeting the Government's portion of the cost of the various systems.

The bill authorizes an appropriation for the purposes of carrying out the responsibilities of the Committee and the employment of necessary personnel subject to the civil-service laws and the Classification Act of 1949, as amended.

WAIVER OF INCREASES IN ANNUITIES

Section 3 of the bill permits annuitants to waive increases granted by this bill. This provision is to prevent the occurrence of situations whereby veterans receiving non-service-connected pensions would be denied their pensions if the civil service annuity, as a result of this increase, exceeds \$1,400 a year for such single veterans or \$2,700 a year if married.

COST OF INCREASES

The increased payments to annuitants under this bill for the first year when it will be borne by the fund will amount to \$40,000,000. If this increase is continued until June 30, 1955, by means of appropriations as authorized by the bill, there will be an additional cost of \$65,000,000.

NEED FOR THE INCREASES

Need for the increases which this bill provides stems from the sharp increase in the cost of living since the last increase in annuities for retired Federal employees provided in the Retirement Act amendments of 1948. The Consumers' Price Index for April 1952 is 188.7, as contrasted with 169.9 for April 1948, the date of the last increase in retirement annuities.

Studies by the Department of Labor in 1950 developed that for a couple to maintain an adequate standard of living would require an income of \$1,800 a year or \$150 a month. Annuities of retired Federal employees average \$96 a month or two-thirds of what is considered adequate.

Employees retired on disability average \$76 a month or one-half the adequate amount.

The committee believes the increases provided in this bill will fill a critical need of the retired employees, and that it is in harmony with the recent policy of the Federal Government increasing annuities.

The committee points out that with respect to annuities for which the Federal Government establishes the policy, Congress has already approved the principle of increases because of the rising cost of living for the military, veterans, social-security benefits, railroad retirement pensions, and Foreign Service employees.

Hearings were held by the committee on 14 bills, all of which are designed to increase Federal civil-service retirement and disability annuities. Before the hearings were completed, S. 2968 was approved by the Senate and referred to the committee.

The Chairman of the Civil Service Commission, in testifying before the committee, commented extensively on the provisions of S. 2968. He opposed increases for those already retired pointing out the Government had no obligation to these employees beyond the annuities which they are presently being paid. However, in the event the committee did approve the principle of increasing annuities for those already retired, he recommended certain changes in the bill. Among them are (a) a limitation on the increase of annuities where the increase would create an annuity in excess of \$1,800 a year, (b) require that the increased annuities would not take effect unless specific appropriations were made therefor, and (c) include the Chairman of the Civil Service Commission on the committee to study Federal civilian annuities provided for in S. 2968.

This bill incorporates the language of S. 2968 and as well adopted the suggestions (b) and (c) above of the Chairman of the Civil Service Commission.

At the hearings, the Assistant Director of the Bureau of the Budget testified and recommended the following changes in S. 2968:

(a) To provide increases in benefits to survivors now on the rolls of the civil service retirement system;

(b) (1) To permit the trust fund to advance funds to pay the increases in benefits for the fiscal year 1953, but to require this advance to be repaid from general appropriations, and (2) to require appropriations in advance from the Treasury to the fund to pay the increases for each of the fiscal years 1954 and 1955;

(c) To terminate the increases entirely on June 30, 1955, on the assumption that by then the Congress will have completed action on recommendations from the proposed study of retirement systems; and

(d) To authorize a thorough study of the nature and cost, as well as the financing, of benefits under all retirement systems for Federal personnel in order to provide a basis for reconsideration of present policies. In keeping with this broadened assignment the suggested language renames the proposed study group the Committee on Retirement Policy for Federal Personnel, enlarges its membership, ex

tends the date for its report by 6 months to December 31, 1953, and authorizes appropriations for necessary expenses.

The bill which this report accompanies (H. R. 8373), incorporates all of the above recommendations and together with these recommendations, is identical to the bill, S. 2968, as it passed the Senate except for two provisos extending the coverage of the retirement to (a) years rendered as personal service to the Senate prior to July 1, 1935, as clerk to the secretary for the majority, or as clerk to the secretary for the minority, and (b) years rendered as personal service heretofore or hereafter as an employee of a senatorial campaign committee.

As indicated above, the bill, H. R. 8373, which this report accompanies, contains the language of H. R. 7971 with amendments recommended by the Bureau of the Budget and some of the amendments recommended by the Civil Service Commission.

Reports of the Civil Service Commission and the Bureau of the Budget on a companion House bill to S. 2968 follow:

UNITED STATES CIVIL SERVICE COMMISSION,
Washington 25, D. C., June 16, 1952.

Hon. TOM MURRAY,

*Chairman, Committee on Post Office and Civil Service,
House of Representatives, Washington, D. C.*

DEAR MR. MURRAY: I am referring further to your letter of May 24, 1952, relative to H. R. 7971, a bill to amend section 8 of the Civil Service Retirement Act of May 29, 1930, as amended.

The bill would provide for an increase in the annuity of each employee who was retired on or before April 1, 1952, and who on the date of enactment is receiving, or entitled to receive, annuity from the civil service retirement and disability fund. This increase would amount to \$36 for each full 6 months elapsed between commencing date of annuity and October 1, 1952, with a limitation of \$324 or 25 percent of present rate, whichever is lesser. The increase would be effective the first day of the second month after enactment. The bill does not increase annuities to survivors now on the roll or to those added to the roll in the future.

This stipulated increase would terminate, without subsequent resumption, at the end of the second month after the Consumers' Price Index of the Bureau of Labor Statistics had been, for three consecutive months, less than the index for April 1948. This figure is 169.9 and will be used as the standard, unless the Bureau revises its calculation basis in which event the proper conversion factor will be used in the determination.

The increase would also be subject to such termination on June 30, 1954, or on June 30 of any later year unless Congress had before that time appropriated the funds necessary to pay the increases for the fiscal year preceding such date.

There would be created a Committee on Fiscal Policy for Federal Civilian Retirement Systems, its members being the Secretary of the Treasury, the Chairman of the Board of Governors of the Federal Reserve System, and the Director of the Bureau of the Budget. This Committee would survey existing methods of determining and funding the Government's cost of these retirement systems and make report and recommendations to Congress, on or before June 30, 1953, as to the method or methods of financing which will result in the proper discharge of the Government's liabilities.

Section 3 of the bill would permit annuitants to waive any or all of their annuities, which waiver would be revocable. While the purpose of the bill is to provide an income increase to the annuitants affected, the allowance of such increase would in some instances produce the exact opposite result. Laws providing for pensions for veterans by reason of non-service-connected disabilities contain a bar against their receipt where the veteran has an income from other sources in amounts of \$1,400 a year if single, and \$2,700 if married. The Veterans' Administration classes annuities allowed under the Civil Service Retirement Act as such other income. Therefore, the allowance of this increase would in some cases raise the income above the limitations specified, thereby causing a loss of the entire amount of the pension, and a corresponding decrease in total income. The proposal would remedy this situation.

The justification for increases in annuities is based upon a recognized higher cost of living. The Bureau of Labor Statistics recently estimated the annual

income necessary to support a family of two persons over 65 at a modest but adequate level of urban living. It found that a modest level of living for a retired elderly couple costs between \$1,700 and \$1,800 a year at October 1950 price levels in nearly half of the 34 cities for which it made estimates. The figure varied from city to city—for example \$1,908 a year in Milwaukee, \$1,863 a year in Washington, D. C., and \$1,602 in New Orleans.

In view of these findings, the Commission sees no justification for increasing annuity rates to more than \$1,800 and strongly urges that the bill be changed to contain this limitation. As of June 30, 1951, 21,080 of a total of 166,680 retired employees were receiving annuities of \$1,800 or more.

As of June 30, 1951, there was in the civil service retirement and disability fund the sum of \$4,419,927,112.89 in cash and investments. This is, of course, a substantial sum, but creates a false impression or sense of security when examined alone. On the other side of the ledger, we find that the fund had on that date liabilities of \$9,294,927,112.89. This results in an excess of liabilities over assets (or deficit) of \$4,875,000,000. This is illustrated by the following comparative statement, which also shows how the deficit has increased from 1947 to 1951.

Statement of condition of the civil service retirement and disability fund as of June 30, 1947, and June 30, 1951

| | June 30, 1947 | June 30, 1951 |
|--|------------------------|------------------------|
| LIABILITIES | | |
| 1. Liability to present and former employees for deductions from payroll, service-credit purchases, voluntary deposits, and accrued interest..... | \$1, 571, 744, 233. 29 | \$2, 550, 616, 394. 06 |
| 2. Liability to beneficiaries or heirs of deceased, retired employees for unliquidated balances of their contributions, with interest..... | 1, 187, 210. 41 | 1, 597, 797. 79 |
| 3. Liability to retired employees and survivor annuitants for payments accrued during June, payable July 1..... | 8, 911, 558. 28 | 17, 224, 223. 18 |
| 4. Liability for all future payments in respect to employee and survivor annuitants on the roll..... | 887, 098, 688. 00 | 2, 016, 051, 658. 00 |
| 5. Liability for prospective annuity benefits based on service already rendered by present and former employees, not yet retired, in excess of benefits to be provided by their contributions with interest..... | 3, 103, 977, 903. 96 | 4, 709, 437, 039. 86 |
| 6. Total..... | 5, 572, 919, 593. 94 | 9, 294, 927, 112. 89 |
| ASSETS | | |
| 7. Cash and investments in obligations of the United States..... | 2, 478, 919, 593. 94 | 4, 419, 927, 112. 89 |
| DEFICIT | | |
| 8. Excess of liabilities over assets..... | 3, 094, 000, 000. 00 | 4, 875, 000, 000. 00 |

The bill in its present form provides for the payment of the increase out of the civil-service retirement and disability fund for a possible period of 2 years with no assurance that the fund would be reimbursed by specific appropriation. If the fund is not reimbursed by appropriation the already huge deficit would be increased by approximately \$62,000,000. In the judgment of the Commission this is improper; appropriation to cover the increases should be made in advance.

The Commission therefore recommends that the bill be amended to provide that the proposed increases would not be payable until funds are first appropriated for this purpose. This is in contrast with the present form of the bill which does not require any appropriation for the fiscal years 1953 and 1954.

The Commission further recommends that immediate steps be taken to obtain an appropriation at this session of Congress. A majority of the Commission believes that if an appropriation is not obtained at this session the increases should be deferred until such an appropriation is made. Commissioner James Mitchell believes that if, in the judgment of the committee, a special appropriation cannot be obtained at this session, the increases should be granted as provided in the bill.

The appropriation necessary to cover the first year cost of the bill in its present form is estimated to be \$33,900,000, and would need to be made not later than June 30, 1954, in order for increases to be paid after that date. If the Commission's recommendation for the limitation of \$1,800 on increased annuities were adopted,

the first year cost is estimated to be \$27,700,000, and, under the Commission's further recommendation for advance appropriations, this amount would need to be made available before any increases are payable.

In our opinion the Civil Service Commission, which administers the retirement system covering the great majority of Federal employees, should be represented on the proposed Committee on Fiscal Policy for Federal Civilian Retirement Systems. It is therefore suggested that the Chairman of the Commission be designated as a member and a fifth member be designated by the President as the Committee Chairman.

The Commission is unanimous in its belief that this bill with amendments as proposed offers an equitable solution to the problem, and there are attached copies of H. R. 7971 incorporating the amendments recommended by the Commission in this report. If the amendments suggested in this report are adopted, the bill would then conform to the main point influencing the Commission in its report on H. R. 6540, namely, that any increases to retired employees do not impair the financial structure of the system.

Should hearings be scheduled on this bill, the Commission would appreciate being given opportunity to testify.

In view of the need for immediate reply, the Commission has not been able to clear this report with the Bureau of the Budget.

By direction of the Commission:

Sincerely yours,

ROBERT RAMSPECK, *Chairman.*

EXECUTIVE OFFICE OF THE PRESIDENT,
BUREAU OF THE BUDGET,
Washington 25, D. C., June 19, 1952.

HON. TOM MURRAY,
*Chairman, Committee on Post Office and Civil Service,
House of Representatives, Washington 25, D. C.*

MY DEAR MR. CHAIRMAN: Reference is made to your letter of May 24, 1952, inviting the Bureau of the Budget to comment on H. R. 7971, a bill to amend section 8 of the Civil Service Retirement Act of May 20, 1930, as amended.

As pointed out in Mr. Staats' statement before your committee, a copy of which is enclosed, the Bureau of the Budget would have no objection to the enactment of the bill with certain amendments described in the statement.

Sincerely yours,

(Signed) ELMER B. STAATS,
Acting Director.

Enclosure.

STATEMENT OF ELMER B. STAATS, ASSISTANT DIRECTOR OF THE BUREAU OF THE BUDGET, BEFORE THE HOUSE COMMITTEE ON POST OFFICE AND CIVIL SERVICE, ON LEGISLATION TO AMEND THE CIVIL SERVICE RETIREMENT ACT

On behalf of the Bureau of the Budget, I appreciate this opportunity to discuss the bills to increase civil service retirement benefits which are being considered by your committee. Three central issues are involved in these 14 widely varying bills: (1) whether there should be an increase in payments to present annuitants under the civil service retirement system; (2) if an increase is granted, what form it should take and how it should be financed; and (3) for the future, what basic policies should govern the benefits to be provided under the civil service and other retirement systems for Federal personnel and how these systems should be financed.

Regarding the first question, as to whether there should be an increase to persons now on the rolls, it is general knowledge that the decline in purchasing power which has resulted from advances in prices works a hardship on those who depend upon fixed annuities for their livelihood. This shrinkage in buying power affects not only civil-service annuitants but also other groups of persons who depend upon fixed incomes derived from such sources as savings deposits, life insurance policies, and pension rights built up in periods when the purchasing power of the dollar was greater and the planned levels of income therefore seemed adequate.

Rising prices therefore confront the Federal Government with special problems in all the benefit and assistance programs which it operates. In considering this legislation to provide increased payments to present annuitants of the civil service retirement system, the Congress is faced with the problem of deciding whether

the obligation of the Government to its former employees is different from its obligation to beneficiaries under other programs. On the one hand, the Government has no commitment to restore the purchasing power of these annuities. On the other hand, the Congress has already enacted, and the President has approved, legislation providing cost-of-living increases in the railroad retirement, veterans' compensation and pension, military retirement, and Foreign Service retirement benefits. The House has also passed a bill to provide increases in social-security benefits. In addition, in deciding whether to grant the proposed civil-service increases, the Congress will want to consider the role of retirement benefits as part of the personnel policy for attracting and keeping able people in the Government service.

I turn now to the second issue, which relates to the form and financing of a possible increase in benefits. As your committee has been advised in reports submitted on May 5 and May 19, 1952, on various of the bills under discussion today, the Bureau of the Budget has no objection to adjustments in the annuities of those presently on the civil service retirement rolls provided (1) that the adjustments maintain a reasonable relationship of benefits to length of service and past earnings of the annuitants and (2) that financial arrangements are made so as to avoid impairing the equities of future beneficiaries in the civil service retirement and disability fund. If the Congress determines that an increase for present annuitants is warranted, the real issue then appears to be the proposition that benefit increases for present annuitants be absorbed by the civil service retirement and disability fund without reimbursement from the General Treasury.

In the light of these considerations, it seems to us that, if the Congress decides to increase these benefits, S. 2968, the bill passed by the Senate, or H. R. 7971, which are nearly identical bills, embody a generally acceptable formula for this increase and for financing it. However, in that event, the provisions for appropriations to the trust fund should be made more adequate.

The importance of covering the cost of increased benefits for retired employees from general appropriations should be particularly emphasized. Because the civil-service retirement and disability system is basically a staff pension system covering a particular group of personnel, special care must be taken to adhere to sound financing principles. Over the years the principle has been followed of funding the obligations for future benefits under the system through employee and Government contributions.

The system necessarily started with an unfunded liability for prior service credits. Rising pay rates and successive liberalizations of the Retirement Act, coupled with the fact that appropriations made by the Congress have not covered the Government share of the costs, have resulted in the accumulation of an unfunded Government liability of nearly \$5 billion to the trust fund. While the contingent liabilities of the Government under other benefit programs are much larger in amount, this deficiency of \$5 billion is a serious problem for the civil-service system. There is always the danger for Government employees covered by a staff pension system that, if the system is overcommitted in terms of the benefits promised, future Congresses may fail to make the appropriations necessary to pay the benefits. To strengthen the financial position of the fund, the President recommended in the 1953 budget that a start be made on amortizing the Government's accrued liability to the fund over the next 30 years. Thus the retirement system eventually would be financed on a full reserve basis.

Since the Bureau has already reported to your committee on all these bills except H. R. 7971, it may be useful to comment on the scope and extent of increases in benefits under this particular bill. If an increase is to be granted, the Bureau of the Budget favors the approach adopted in this bill of providing some increases to all annuitants in preference to the alternative of restricting increases to beneficiaries receiving annuities of less than \$1,800 a year. On the other hand, H. R. 7971 does not provide increases to surviving dependents of employees. If increases are to be provided to the retired employees, consideration should also be given to providing some assistance to survivors now on the benefit rolls.

Finally although the annuity increases proposed in this bill would not necessarily be permanent, no cut-off date is provided and these contingent increases might continue indefinitely as a supplement to the basic formula. It seems to us that a definite time limit should be provided, particularly if there is to be a study of retirement fund financing.

I should like now to discuss the third major question in the retirement field which confronts the Congress as well as the executive branch. There is need for a thorough reevaluation of basic policy for the provision and financing of

retirement and other types of similar benefits for all categories of Federal personnel. This involves also the clarification of the relationships among the various staff pension systems as well as between such systems and the basic old-age and survivors insurance system. The Bureau of the Budget, the Civil Service Commission, and the Federal Security Agency are now carrying on jointly a fact-finding study of existing problems in the relationships between the civil service retirement and the old-age and survivors insurance systems. However, this covers but a small part of this Government-wide problem.

In addition to providing higher benefits for those now retired, H. R. 7971 and S. 2968 provide for a study to be made by a Committee on Fiscal Policy for Federal Civilian Retirement Systems. It would be the purpose of this study to determine the best methods of discharging the Government's financial responsibility under all the Federal civilian retirement systems.

The Bureau of the Budget strongly favors such a study. However, we believe that its usefulness would be greater if the scope were broadened. As outlined in the bills, the inquiry would be confined to determining the best method of financing the Government's share of the costs of the Federal civilian retirement systems. If the study were broadened to include a thorough actuarial investigation of the nature and cost, as well as the financing, of benefits under all the retirement and related benefit systems for Federal personnel, it would provide a much better basis for reconsideration of present policies.

We base this view in part on a preliminary study made pursuant to Hoover Commission recommendations. This study was conducted for the Bureau of the Budget by an independent actuarial firm and financed from the President's management improvement fund. The report covered 13 different retirement systems maintained for Federal personnel, with many widely differing plans and provisions. We estimate that obligations to pay benefits are now accruing for all these systems at a yearly rate of over \$2 billion.

Actuarial Report No. 1, which is chiefly a tabulation of provisions and benefits of Federal employee retirement systems was prepared as part of this study. This could readily serve as the starting point for the broader study which we think is needed. Although a copy of this report was provided to your committee when it was completed, we should like at this time to make available another copy in the event that you wish to incorporate it in the record of these hearings.

Specifically, it is recommended that the investigation apply actuarial and other techniques to the comparative study of the following aspects of the general subject:

1. The types and amounts of retirement and other related benefits provided to Federal personnel, including their role in the compensation system as a whole;
2. The necessity for special benefit provisions for selected employee groups, such as overseas personnel and employees in hazardous occupations;
3. The relationships of these benefit systems to one another, to the Federal employees' compensation system, and to such general systems as old-age and survivors insurance system; and
4. The current financial status of the several systems, the most desirable methods of cost determination and funding, the division of costs between the Government and the members of the systems, and the policies that should be followed in meeting the Government's portion of the cost of the various systems.

With this broader assignment, it would also appear desirable to change the name of the proposed study committee to the Committee on Retirement Policy for Federal Personnel. We also support a suggestion which has been made by the Civil Service Commission for the enlarging of the membership of the proposed Committee to include the Chairman of the Civil Service Commission and also a fifth member to be designated by the President as the Committee Chairman. The bill should also be amended to authorize appropriations necessary for the conduct of the study. Such a study cannot be made successfully without incurring expenditures for personnel, actuarial and other consultants, supplies and services, and printing.

In conclusion, it seems evident that, whether or not the Congress decides at this time to provide increased benefits to present annuitants, the policy problems involved in the existing benefit systems for Federal personnel are increasingly complex and interrelated. A thorough study is needed to provide a solid basis for future adjustments and improvements in these systems.

CHANGES IN EXISTING LAW

In compliance with paragraph 2a of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as introduced, are shown as follows (new matter is printed in italics, existing law in which no change is proposed is shown in roman):

SECTIONS 8 AND 13 OF THE CIVIL SERVICE RETIREMENT ACT OF MAY 29, 1930,
AS AMENDED

BENEFITS EXTENDED TO THOSE ALREADY RETIRED

SEC. 8. (a) In the case of any officer or employee who before the effective date of this Act shall have been retired on annuity under the provisions of the Act of May 22, 1920, as amended, or section 8 (a) of the Act of June 16, 1933, the annuity shall be increased, effective on the first day of the second month following the month in which this Act is enacted by 25 per centum or \$300, whichever is the lesser: *Provided*, That each such annuitant may, prior to the effective date herein prescribed, elect to retain his or her present annuity, in lieu of the increased annuity provided by this section, and name his wife or her husband to receive upon his or her death one-half of his or her present annuity but not to exceed \$600 per annum during the remainder of the life of such surviving husband or wife and upon the death of such survivor no further annuity shall be due or payable. Any such annuitant who died during the period beginning on February 29, 1948, and ending on April 30, 1948, leaving a surviving wife or husband, shall be deemed to have made the election authorized in the foregoing proviso and to have named such wife or husband to receive an annuity as provided in such proviso, but no such annuity shall become due or payable to such wife or husband prior to April 1, 1948. Except as provided in this section, the amendments made by this Act shall not apply in the case of officers and employees retired prior to the effective date of this Act.

In case any officer of employee shall have been separated subsequent to January 23, 1942, and prior to the effective date of this Act and have acquired title to annuity under section 7 of the Act of May 29, 1930, as amended, beginning after such effective date, his rights shall be determined and annuity computed as though this Act had not been enacted: *Provided*, That any such officer or employee who has completed less than twenty years' civilian service may elect to forfeit his right to such annuity and elect to receive in lieu thereof the amount credited to his individual account together with interest compounded on December 31 of each year at the rate of 4 per centum to the date of his separation or December 31, 1947, whichever may be the earlier, and at the rate of 3 per centum for any period thereafter before April 1, 1948: *Provided further*, That if the separation of such officer or employee was involuntary, not by removal for cause on charges of misconduct or delinquency, the total amount of deductions, with such interest, shall be returned.

In the case of any officer or employee who, prior to the effective date of this Act, shall have been retired on an annuity under the provisions of the Alaska Railroad Retirement Act, as amended, the Canal Zone Retirement Act, as amended, or section 8 (b) of the Act of June 16, 1933, the annuity shall be increased effective April 1, 1948, by 25 per centum or \$300 whichever is the lesser: *Provided*, That each such annuitant may, prior to the expiration of sixty days following the date of enactment of this paragraph, elect to retain his or her present annuity, in lieu of the increased annuity provided by this paragraph, name his wife or her husband to receive upon his or her death one-half of his or her present annuity but not to exceed \$600 per annum during the remainder of the life of such survivor and upon the death of such survivor no further annuity shall be due or payable. Any such annuitant who shall have died between the effective date of this Act and the expiration of the said sixty-day period after the enactment of this paragraph leaving a surviving wife or husband shall be deemed to have named such wife or husband to receive an annuity as provided herein, but no such annuity shall become payable to such wife or husband prior to the date of enactment of this paragraph. Except as provided in this paragraph, the provisions of this Act shall not apply in the case of officers and employees of The Alaska Railroad, Territory of Alaska, or officers and employees of the Panama Canal or the Panama Railroad Company (1) retired prior to the effective date of this Act, or (2) separated prior to such date, in which case their

refund or annuity rights shall be determined as though the Alaska Railroad Retirement Act and the Canal Zone Retirement Act had not been repealed: *Provided*, That there shall be deemed applicable as of July 29, 1942, to such officers and employees of the Panama Canal and the Panama Railroad Company, the provisions of the Act of July 30, 1947 (61 Stat. 521), respecting the return of amounts deducted from compensation.

(b) (1) In the case of any retired officer or employee mentioned in the first paragraph of subsection (a) who did not elect a survivor's annuity in accordance with the proviso in such subsection, there shall be payable upon his or her death, to his or her wife or husband to whom the annuitant was married before April 1, 1948, an annuity equal to one-half of his or her present annuity (excluding the increase therein under subsection (a)), but not to exceed \$600 per annum, during the remainder of the life of such survivor. The provisions of this paragraph shall apply in the case of any such annuitant who died subsequent to April 30, 1948.

(2) Any such retired officer or employee who elected a survivor's annuity in accordance with the proviso in subsection (a) shall be paid an increase in his annuity of 25 per centum or \$300 whichever is the lesser.

(c) (1) *The annuity of any employee or survivor of a deceased employee who, before the date of enactment of this amendment, was receiving or entitled to receive an annuity from the fund, shall be increased, effective on the first day of the second month following enactment of this amendment, by \$36 for each full six-month period elapse between the commencing date of annuity and October 1, 1952: Provided, That such increase in annuity shall not exceed the lesser of \$324 or 25 per centum of the present annuity.*

(2) *The increases in annuity provided by this subsection shall be paid from the civil-service retirement and disability fund, and shall terminate, without subsequent resumption, on June 30, 1955, or on an earlier date, whichever may first occur, under any one of the following conditions:*

(A) *At the end of the second month following the third consecutive month for which the Consumers' Price Index of the Bureau of Labor Statistics is less than 169.9, the index for the month of April 1948. In the event that the Bureau of Labor Statistics revises the basis of calculating the Consumers' Price Index, it shall immediately furnish to the Commission a conversion factor designed to adjust to the new basis the index figure of 169.9 described herein, and such adjusted index shall be used for the purposes of this subsection.*

(B) *On June 30, 1953, unless an appropriation is made to the civil-service retirement and disability fund in the applicable annual appropriation Act, for the fiscal year 1954, or in any prior appropriation Act, for the specific purpose of compensating said fund for the cost, as determined by the Commission, of increases provided by this subsection during the fiscal years 1953 and 1954.*

(C) *On June 30, 1954, unless an appropriation is made to the civil-service retirement and disability fund, in the applicable annual appropriation Act, for the fiscal year 1955, or in any prior appropriation Act for the specific purpose of compensating said fund for the cost, as determined by the Commission, of increases provided by this subsection during the fiscal year 1955.*

PAYMENT OF ANNUITIES AND FORM OF APPLICATION

Sec. 13. Annuities granted under the terms of this Act shall accrue monthly and shall be due and payable in monthly installments on the first business day of the month following the month or other period for which the annuity shall have accrued. Payment of all annuities, refunds, and allowances granted hereunder shall be made by checks drawn and issued by the Treasury Department in such form and manner and with such safeguards as shall be prescribed by the Civil Service Commission in accordance with the laws, rules, and regulations governing accounting that may be found applicable to such payments.

Applications for annuity shall be in such form as the Civil Service Commission may prescribe, and shall be supported by such certificates from the heads of departments, branches, or independent offices of the Government in which the applicant has been employed as may be necessary to the determination of the rights of the applicant. Upon receipt of satisfactory evidence the Civil Service Commission shall forthwith adjudicate the claim of the applicant, and if title to annuity be established, a proper certificate shall be issued to the annuitant under the seal of the Civil Service Commission.

An annuity granted for retirement under the provisions of section 1 or 2 of this Act shall commence the first day of the month following the date of separation from the service, or on the first day of the month following the month in which

salary shall cease provided the employee meets the age and service requirements for retirement at that time, and shall continue during the life of the annuitant. An annuity granted under the provisions of section 6 or 7 hereof shall be subject to the limitations specified in said sections.

The term "annuitant" as used in this Act shall include any employee who has met all requirements of the Act for title and has filed claim therefor, notwithstanding final administrative action was not taken by the Civil Service Commission prior to his death. Nothing in this section shall be so construed as to reduce any benefit otherwise payable.

Any person entitled to annuity from the civil-service retirement and disability fund may decline to accept all or any part of such annuity by a waiver signed and filed with the Commission. Such waiver may be revoked in writing at any time, but no payment of the annuity waived shall be made covering the period during which such waiver was in effect.



